

An organization whose primary activity is rating candidates for public office is not exempt from Federal income tax under section 501(c)(4) of the Internal Revenue Code of 1954 because such activity does not constitute "the promotion of social welfare."

Advice has been requested whether an organization operated as described below qualifies for exemption from Federal income tax under section 501(c)(4) of the Internal Revenue Code of 1954 as a social welfare organization.

The organization was formed for the purpose of promoting an enlightened electorate. Its primary activity in furtherance thereof is rating candidates for public office on a nonpartisan basis. In order to acquaint voters with candidates for local public offices, the organization analyzes the candidates' qualifications, such as education and experience. On the basis of its conclusions, it rates candidates as average, good, or excellent, and disseminates these ratings to the public.

Section 501(c)(4) of the Code provides for the exemption from Federal income tax of civic leagues or organizations not organized for profit but operated exclusively for the promotion of social welfare.

Section 1.501(c)(4)-1(a)(2) of the Income Tax Regulations provides that an organization is operated exclusively for the promotion of social welfare if it is primarily engaged in promoting in some way the common good and general welfare of the people of the community. In addition, the regulations provide that the promotion of social welfare does not include direct or indirect participation or intervention in political campaigns on behalf of or in opposition to any candidate for public office.

Comparative rating of candidates, even though on a nonpartisan basis, is participation or intervention on behalf of those candidates favorably rated and in opposition to those less favorably rated. Because such participation or intervention does not come within the definition of promotion of social welfare and this activity is the organization's primary activity, it follows that the organization is not operated exclusively for the promotion of social welfare within the meaning of the applicable regulations.

Accordingly, the organization does not qualify for exemption from Federal income tax under section 501(c)(4) of the Code as a social welfare organization.